

## **PREFACE**

This report provides comprehensive background information on each of over 50 tax sources utilized by state or local governments in Washington. The report was prepared by the Research Division of the Department of Revenue. It updates a similar synopsis of state taxes last published by the Department in January, 1999.

The Tax Reference Manual provides a general description and historical information on these tax sources. It is not intended to be a guide to taxpayers for reporting any tax liability. Thus, it contains neither legal interpretations of state tax law nor instructions to taxpayers.

An outline format is used to present the information in a way that will facilitate location of particular data by the reader and make the report easy to use. The intention is to cover those questions which are most frequently asked about taxes (e.g. RCW citations, advantages and disadvantages of various tax sources, recent collection figures, etc.), while keeping the text as short as possible. For each tax, there are nine items included in the discussion. Each of these categories is described below:

### Tax Base

The initial section explains what is taxable, i.e., the measure of the tax.

### Tax Rate

The rate is the percentage or fixed dollar amount which determines the amount of the tax liability. When the tax rate is multiplied by the tax base, the product is the amount of tax that is due.

### Levied By

This indicates which governmental jurisdictions are authorized to impose the tax. In most instances, an attempt is made to indicate which of these are actually levying the tax.

### Recent Collections

The amount of revenue collected, net of credits and refunds, is shown by fiscal year (ending June 30th) for each state tax for the latest ten year period. For most sources, the figures

represent cash collections during the fiscal year; some data reflect accrued liability (i.e., on the basis of GAAP - generally accepted accounting principles). The annual rate of change and the percentage of all general state taxes is indicated. The source of the state collection figures is state agencies which collect the tax. Detailed data are not available for some local tax sources, but in some instances distributions of tax receipts to local jurisdictions are indicated. In most instances local tax collections for calendar year 2000 are the latest available via the Budget, Accounting and Revenue System (BARS) administered by the State Auditor.

### Administration

The administering state or local agency is indicated, along with a brief description of who pays the tax and in what manner.

### Distribution of Receipts

This section references the manner in which the funds are used. The disposition of most tax revenues is straightforward, even for those dedicated to specific accounting funds to be used for particular programs. However, the distribution formulas for several of the taxes are quite complex.

### Exemptions

Items which reduce the tax liability for particular types of taxpayers through exemptions, deductions and credits are listed. This report does not list every possible tax exemption, but it does indicate the general types of tax preferences which are provided by state law. The source for most of this information is the periodic study of tax exemptions completed by the Department.

### History

A brief historical development of the tax is provided, including the year of initial imposition and major changes in tax rates and the tax base.

### Discussion/Major Issues

The final section discusses features of the tax which may be of interest to certain readers. A very brief discussion of the "pros" and "cons" of the tax is given in some instances. It must

be emphasized that, **in providing this discussion of taxes, the statements do not represent the Department's position on the various sources, and it should not be inferred that the Department favors or opposes any particular tax.** Instead, this section simply represents some of the general comments which have been expressed about the advantages and disadvantages of certain taxes.

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Gambling Commission  
Horse Racing Commission  
Liquor Control Board  
Office of Financial Management  
Office of the Insurance Commissioner  
Office of the State Auditor

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